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Ms. Joyce Spear
Rates and Tariffs Division
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

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PUBLIC SERVICE
COMMISSION

November 14, 2006

**RE: Louisville Gas and Electric Company – Electric and Gas Operations
Jurisdictional 12-Month Income Statement ending September 30,
2006, and Balance Sheet as of September 30, 2006
(Case Nos. 97-300, 2000-095, and 2001-104)**

**Louisville Gas and
Electric Company**
State Regulation and Rates
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Dear Ms. Spear:

Pursuant to the Commission's Order in Case No. 97-300, Louisville Gas and Electric Company hereby submits its Quarterly 12-Month Income Statement and Balance Sheet, on a Electric and Gas Operations basis, for the period ending September 30, 2006. This information is also submitted in response to the Commission's Order dated May 15, 2000, in KPSC Case No. 2000-095, *Summary of Findings, No. 8 and Appendix B, Reporting Requirements to be filed Quarterly, No. 3*. These commitments were repeated in the Commission's Order dated August 6, 2001, in KPSC Case No. 2001-104, *Appendix A, Operations and Financial, No. 1*.

If you have any questions, please let me know.

Sincerely,

Rick Lovekamp

Enclosures

Cc: Isaac Scott, KPSC Division of Financial Analysis

Louisville Gas and Electric Company
Income Statement on a Total Company and Jurisdictional Basis
12 Months Ending September 30, 2006

	<u>Electric</u>	<u>Gas</u>	<u>Total</u>
OPERATING REVENUES			
Residential Sales	268,475,922	290,455,910	558,931,832
Small (or Comm.)	222,847,784	122,585,351	345,433,135
Large (or Ind.)	130,993,151	19,211,191	150,204,342
Public Street and Highway Lighting	6,355,181	-	6,355,181
Other Sales to Public Authorities	61,935,193	21,910,130	83,845,323
Rate Refunds	-	-	-
Total Sales to Ultimate Consumers	<u>690,607,231</u>	<u>454,162,582</u>	<u>1,144,769,813</u>
Sales for Resale	231,172,171	3,084,348	234,256,519
Forfeited Discounts	2,117,083	2,058,748	4,175,831
Transportation Revenue	-	5,205,010	5,205,010
Miscellaneous Service Revenues	1,124,477	64,080	1,188,557
Rent from Electric/Gas Property	3,226,592	392,983	3,619,575
Interdepartmental Rents	-	107,268	107,268
Other Electric Revenue	22,256,548	-	22,256,548
Other Gas Revenue	-	44,333	44,333
Total Operating Revenues	<u>950,504,102</u>	<u>465,119,352</u>	<u>1,415,623,454</u>
OPERATING EXPENSES			
Operation Expense	573,444,445	409,110,015	982,554,460
Maintenance Expense	61,653,238	10,852,684	72,505,922
Depreciation Expense	101,015,470	16,600,650	117,616,120
Amort. & Depl. of Utility Plant	4,292,142	1,508,050	5,800,192
Amor. of Property Losses, Unrecovered	-	-	-
Plant and Regulatory Study Costs	-	-	-
Regulatory Credits	(9,606,281)	(4,249,240)	(13,855,521)
Taxes Other Than Income Taxes	16,156,368	5,199,837	21,356,205
Income Taxes - Federal	65,017,075	3,932,172	68,949,247
- State	11,386,147	1,011,924	12,398,071
Provision for Deferred Income Taxes	37,364,627	7,855,089	45,219,716
(Less) Provision for Deferred Income Taxes - Cr.	(48,557,599)	(6,214,694)	(54,772,293)
Investment Tax Credit Adj. - Net	(3,869,016)	(175,401)	(4,044,417)
Gain from Disposition of Allowances	(1,004,606)	-	(1,004,606)
Accretion Expense	1,132,741	281,612	1,414,353
Total Utility Operating Expenses	<u>808,424,751</u>	<u>445,712,698</u>	<u>1,254,137,449</u>
Net Utility Operating Income	<u>142,079,351</u>	<u>19,406,654</u>	<u>161,486,005</u>
TOTAL Other Income			5,716,608
TOTAL Other Income Deductions			4,182,592
TOTAL Taxes on Other Income and Deductions			(793,223)
Net Other Income and Deductions			<u>2,327,239</u>
INTEREST			
Interest on Long - Term Debt			33,482,561
Amort. of Debt Disc. and Expenses			408,635
Amortization of Loss on Reacquired Debt			1,021,655
Other Interest Charges			6,047,172
Total Interest Charges	<u>33,250,803</u>	<u>7,709,220</u>	<u>40,960,023</u>
Net Income Before Extraordinary Items			122,853,221
Extraordinary Items			<u>7,421,572</u>
Net Income			<u><u>115,431,649</u></u>

Louisville Gas and Electric Company
Balance Sheet on a Total Company and Jurisdictional Basis
September 30, 2006

	<u><i>Electric</i></u>	<u><i>Gas</i></u>	<u><i>Total</i></u>
PROPRIETARY CAPITAL			
Common Stock Issued	\$ 342,219,674	\$ 82,950,750	\$ 425,170,424
Preferred Stock Issued	57,556,125	13,951,050	71,507,175
Other Paid - In Capital	32,200,587	7,805,112	40,005,699
Other Comprehensive Income	(45,302,023)	(10,980,773)	(56,282,796)
(Less) Capital Stock Expense	1,548,764	375,405	1,924,169
Retained Earnings	<u>493,804,415</u>	<u>119,693,429</u>	<u>613,497,844</u>
TOTAL Proprietary Capital	878,930,014	213,044,163	1,091,974,177
LONG-TERM DEBT			
Long-Term Notes Payable to Associated Companies	181,102,500	43,897,500	225,000,000
Mandatory Redeemable \$5.875 Series Preferred Stock	16,098,000	3,902,000	20,000,000
Bonds	<u>462,257,290</u>	<u>112,046,710</u>	<u>574,304,000</u>
TOTAL Long - Term Debt	659,457,790	159,846,210	819,304,000
OTHER NONCURRENT LIABILITIES			
Accumulated Provision for Pensions and Benefits	<u>47,476,857</u>	<u>11,507,932</u>	<u>58,984,789</u>
TOTAL OTHER Noncurrent Liabilities	47,476,857	11,507,932	58,984,789
CURRENT AND ACCRUED LIABILITIES			
Notes Payable	-	-	-
Notes Payable to Associated Companies	42,126,051	10,210,949	52,337,000
Accounts Payable	124,244,266	30,115,612	154,359,878
Accounts Payable to Associated Companies	34,935,929	8,468,132	43,404,061
Customer Deposits	12,046,544	5,894,851	17,941,395
Taxes Accrued	15,414,074	3,736,223	19,150,297
Interest Accrued	4,968,264	1,204,259	6,172,523
Dividends Declared	798,936	193,654	992,590
Tax Collections Payable	807,518	195,734	1,003,252
Miscellaneous Current and Accrued Liabilities	<u>6,152,443</u>	<u>1,491,293</u>	<u>7,643,736</u>
TOTAL Current and Accrued Liabilities	241,494,025	61,510,707	303,004,732
DEFERRED CREDITS			
Customer Advances for Construction	619,192	9,263,788	9,882,980
Asset Retirement Obligations	20,811,182	6,827,451	27,638,633
Accumulated Deferred Investment Tax Credits	37,709,169	1,355,105	39,064,274
Other Deferred Credits	28,927,013	45,684,608	74,611,621
Other Regulatory Liabilities	43,610,396	4,138,988	47,749,384
Accumulated Deferred Income Taxes	<u>343,288,857</u>	<u>57,502,620</u>	<u>400,791,477</u>
TOTAL Deferred Credits	474,965,809	124,772,560	599,738,369
Electric/Gas adjustment to balance	(5,515,961)	5,515,961	
TOTAL Liabilities and Other Credits	<u>\$ 2,296,808,534</u>	<u>\$ 576,197,533</u>	<u>\$ 2,873,006,067</u>

Louisville Gas and Electric Company
Balance Sheet on a Total Company and Jurisdictional Basis
September 30, 2006

	<i><u>Electric</u></i>	<i><u>Gas</u></i>	<i><u>Total</u></i>
UTILITY PLANT			
Utility Plant	\$ 3,334,512,271	\$ 568,535,037	\$ 3,903,047,308
Construction Work in Progress	147,654,868	54,743,444	202,398,312
TOTAL UTILITY PLANT	3,482,167,139	623,278,481	4,105,445,620
Less: Accum. Prov. for Depr. Amort. Depl.	1,550,189,133	220,670,237	1,770,859,370
Net Utility Plant	1,931,978,006	402,608,244	2,334,586,250
Gas Stored Underground - Noncurrent	-	2,139,990	2,139,990
			4,107,585,610
OTHER PROPERTY AND INVESTMENTS			
Nonutility Property	101,074	-	101,074
Less: Accum. Prov. for Deprec. and Amort.	63,360	-	63,360
Other Investments	594,286	-	594,286
TOTAL Other Property and Investments	632,000	-	632,000
CURRENT AND ACCRUED ASSETS			
Cash	4,124,780	999,807	5,124,587
Special Deposits	7,510,323	1,820,430	9,330,753
Working Fund	24,813	7,832	32,645
Temporary Cash Investments	4,338	1,052	5,390
Customer Accounts Receivable	46,324,386	22,668,359	68,992,745
Other Accounts Receivable	8,977,337	707,374	9,684,711
Less: Accum. Prov. for Uncollectible Acct.-Cr	924,210	452,252	1,376,462
Notes Receivable from Assoc. Companies	-	-	-
Accounts Receivable from Assoc. Companies	20,726,897	5,024,000	25,750,897
Fuel Stock	43,152,906		43,152,906
Plant Materials and Operating Supplies	24,673,538	249,228	24,922,766
Stores Expense Undistributed	4,321,397	43,650	4,365,047
Gas Stored Underground - Current		86,752,842	86,752,842
Prepayments	2,373,519	575,318	2,948,837
Misc. Current & Accrued Assets	4,928,465	-	4,928,465
Interest and Dividends Receivable	18,126	4,394	22,520
Rents Receivable	30,626	7,423	38,049
Accrued Utility Revenues	28,520,000	4,963,000	33,483,000
TOTAL Current and Accrued Assets	194,787,242	123,372,456	318,159,698
DEFERRED DEBITS			
Unamortized Debt Expenses	6,627,713	1,606,494	8,234,207
Other Regulatory Assets	31,790,425	4,249,240	36,039,665
Miscellaneous Deferred Debits	42,164,989	25,038,658	67,203,647
Unamortized Loss on Reacquired Debt	16,000,350	3,878,331	19,878,681
Accumulated Deferred Income Taxes	72,827,809	13,304,120	86,131,929
TOTAL Deferred Debits	169,411,286	48,076,843	217,488,129
TOTAL Assets and Other Debits	<u>\$ 2,296,808,534</u>	<u>\$ 576,197,533</u>	<u>\$ 2,873,006,067</u>